

SKAGIT COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
Skagit County, Washington
January 1, 1990 Through December 31, 1992

Schedule Of Findings) Skagit County Fire District No. 9

1. Skagit County Fire District No. 9 Should Improve Internal Controls Over The Revolving Fund

Skagit County Fire District No. 9 has a revolving fund which is managed by the fire chief. The authorized balance is \$350. Our review of the revolving fund and the related bank statements for the period 1990 through 1992 revealed the following issues of non-compliance and control weaknesses:

a. Commingling of district funds with those of the Volunteer Firefighters Association (VFA):

Purchases were made for the VFA from the revolving fund. Although reimbursements were made to the revolving fund by the VFA, this activity is considered a lending of credit.

b. Expenditures and deposits were in excess of the \$350 authorized balance:

A single expenditure in the amount of \$875 to the VFA and a voucher reimbursement in the amount of \$1,208.88 were noted. With a \$350 authorized balance, no expenditure or reimbursement should ever be over \$350.

c. The fire association operated a checking account under the name of the Big Lake Fire Department, with no reference to the association:

By using the same name as the fire department, public revenues which were intended for use in the operation of the fire department, could easily be deposited into the VFA account for any use the members chose. This lack of distinction clearly increases the risk of misappropriation of district funds without the knowledge or oversight of the commissioners.

d. A lack of reconciliations of the revolving fund to the bank statement and to the \$350 authorized balance:

No reconciliations were performed from October 1991 until January of 1993. The reconciliation procedures which began in 1993 are currently being performed by the same person who is in charge of the account. By not having a different person perform the reconciliations, less assurance can be given as to the likelihood of errors, irregularities and fraud being discovered in a timely manner, if at all.

e. Negative fund balances and overdraft charges:

We noted five instances of negative fund balances and \$48 paid in overdraft charges.

f. Checks were improperly or incompletely filled out:

Poor check writing practices included no named payee, and just numerals used on the line where the number should be written out. Also noted were checks which appeared to be written by more than one person. This would suggest presigned blank checks were given out for use by someone other than the authorized signer. The failure to practice basic check writing procedures makes fraud especially easy to commit.

The existence of the above control weaknesses indicate the potential for errors, irregularities and fraud to occur and not be detected and corrected in a timely manner, if at all. They also indicate the illegal practice of extending the district's credit.

Article VIII, Section 7, of the *Constitution of the State of Washington* states in Part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm.

By not complying with the state constitution, the district has lent its credit to the VFA. Due to control weaknesses noted above, district officials cannot assure the public that public dollars were not used for private purposes. This occurred because the commissioners were not aware the manner in which the revolving fund was managed would result in certain expenditures being considered a lending of credit.

We recommend, the district either implement an adequate system of controls over the revolving fund or eliminate it completely and initiate a nominal petty cash account. Such an account should be managed by the fire chief in accordance with the procedures outlined in the Category 2, *Budgeting, Accounting and Reporting System* (BARS) manual, volume 1, Part 3, Chapter 3, pages 23-24. Reconciliations should be performed by someone other than the fire chief.

2. Skagit County Fire District No. 9 Should Discontinue Purchasing Items Which Are Not Appropriate District Expenditures

Skagit County Fire District No. 9 paid for appreciation dinners and Christmas parties which in total amounted to expenditures in excess of \$665 to \$900 per year. Additionally, on at least four occasions during the period January 1990 through December 1993, the district purchased flowers for the secretary, firefighters' wives and for other individuals. The total of these gifts amounted to \$148.74.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm.

By not complying with the state constitution, the district has given public funds for private purposes. This noncompliance occurred because the commissioners were not aware these expenditures would be considered gifts of public funds.

We recommend the district discontinue the practice of gifting of public funds and establish appropriate policies for allowable expenditures.

SKAGIT COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
Skagit County, Washington
January 1, 1990 Through December 31, 1992

Schedule Of Findings) Skagit County Fire District No. 4

1. Skagit County Fire District No. 4 Should Improve Internal Controls Over The Revolving Fund

Skagit County Fire District No. 4 has a revolving fund which is managed by the fire chief. The authorized balance is \$1,500. Our review of the revolving fund and the related bank statements for the period 1990 through 1992 revealed the following irregularities:

a. Commingling of district funds with those of the Volunteer Firefighters Association (VFA):

Purchases were made for the VFA from the revolving fund. Although reimbursements were made to the revolving fund by the VFA, this activity is considered to be a lending of the district's credit.

b. Presigning of two signature checks:

We noted several checks which had to be voided because they had been presigned by the former fire chief prior to his death. This activity is still in practice based upon inquiry of the district secretary.

c. Questionable expenditures:

The district made a number of expenditures which were noted to be questionable in nature. These expenditures include the following:

- (1) Annual appreciation banquets in excess of \$900 each.
- (2) A \$217.38 gratuity on a \$673.40 bill for catering. This represents a tip in excess of 32 percent which is well above the customary 15 percent to 20 percent.
- (3) \$210 in restaurant gift certificates were given to workers in-lieu-of an hourly wage for "volunteer" labor provided.
- (4) \$1,000 was expended in 1991 and 1990 for baseball caps and T-shirts with the fire department name screenprinted on them. These amounts appear to be excessive in light of the fact that there are only 27 fire fighters and caps and T-shirts are not considered to be necessary fire fighting gear.

d. No prior authorization by the commissioners:

Many of the expenditures made through the revolving fund were relatively large. These included \$556 for truck repairs, \$800 to \$900 for the annual banquet and various equipment purchases. By running these expenditures through the revolving fund as opposed to the regular voucher system, the expenditures lack the commissioners review and approval until well after the money has left the public's coffers.

The existence of the above control weaknesses and questionable expenditures indicate the potential for errors, irregularities and fraud to occur and not be timely detected and corrected, if at all. They also indicate the illegal practice of bestowing gifts of public funds and extending of credit.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm.

The *Budget, Accounting and Reporting System* (BARS) manual defines a petty cash account as follows:

A sum of money set aside on an imprest basis for the purpose of making change or paying small obligations for which the issuance of a formal voucher and warrant would be too expensive and time consuming.

By not complying with the state constitution, the district has given public funds for private purposes. This occurred because the commissioners were not aware these expenditures would be considered either a gift of public funds or lending of credit.

The large expenditures which were made with the district's revolving fund clearly exceed the definition of a petty cash account. This occurred because the commissioners did not consider the importance of their responsibility to review and approve all expenditures of public funds prior to the expense taking place.

We recommend the district discontinue the above noted practices and establish proper policies for allowable expenditures. We also recommend, the district either implement an adequate system of controls over the revolving fund or eliminate it completely and initiate a nominal petty cash account. Such an account would be managed by the secretary in accordance with the procedures outlined in the Category 2 BARS manual, volume 1, Part 3, Chapter 3, pages 23-24. Reconciliations should be performed by someone other than the secretary.

SKAGIT COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Skagit County Cemetery District No. 5

1. Skagit County Cemetery District No. 5 Should Improve The Controls Over Their Cash Receipting System

Skagit County Cemetery District No. 5 used unofficial receipts for all revenues received at the cemetery. Some of these receipts were prenumbered; others were not. Not all of the prenumbered receipts could be accounted for. For the receipts which were not prenumbered, the numbers had been written in by hand and the same numbers had been used twice. By using these unofficial receipts, no assurance can be made as to the authenticity or completeness of the receipts. All of the receipts which had been presented for review were traced to the deposit with the county treasurer with the exception of two for \$100 each. The district's officials had no explanation for the missing \$200 deposit.

Article XI, Section 15 of the *Constitution of the State of Washington* states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town, or other municipal corporation respectively, for the benefit of the funds to which they belong.

The use of nonofficial receipts increases the risk that errors and irregularities could occur and not be detected in a timely manner, if at all. Because of the lack of internal controls over cash receipts, there can be no assurance that all receipts are recorded and deposited.

The commissioners were not aware of the weaknesses in their current cash receipting system nor did they consider the potential consequences.

We recommend the district purchase official prenumbered receipts which are imprinted with the district's name and address. The new receipts must be original. This means that identical receipt forms could not be purchased in retail stores. The ability to purchase identical receipts allows authentic receipts to be replaced by fraudulent ones. All receipt numbers should be sequential without gaps or duplicates. Additionally all revenues should be accounted for and deposited in a timely manner with the county treasurer.

2. Skagit County Cemetery District No. 5 Should Deposit All Donations Promptly And Improve The Controls Over Petty Cash System

Donations made to Skagit County Cemetery District No. 5 were not deposited with the county treasurer. A \$1,000 donation was held in a local bank by Commissioner Mary Johnson for nine months before using it for the purchase of landscaping materials for the district. Other donations were used as the petty cash fund.

Article XI Section 15 of the *Constitution of the State of Washington* states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other municipal corporation respectively, for the benefit of the funds to which they belong.

By not complying with the state constitution, the district mismanaged the petty cash fund and was not able to provide adequate documentation for the disbursement of all donated public funds. The commissioners were not aware of the requirement to deposit donations with the county treasurer and did not know how to operate a petty cash fund.

We recommend the district deposit all moneys with the county treasurer immediately. Further, we recommend the district operate the petty cash fund in accordance with the procedures outlined in the Category 2, *Budgeting, Accounting and Reporting System* manual, Volume 1, Part 3, Chapter 3, pages 23-24.

SKAGIT COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Skagit County Fire District No. 11

1. Skagit County Fire District No. 11 Should Not Pay Commissioners Without Documentation For Services Performed

Skagit County Fire District No. 11 minutes indicated that Commissioner Art Lang was not in attendance at meetings for which he was paid. The prior audit indicated noncompliance with this same issue and recommended repayment for all months where a day's service could not be documented. Commissioner Lang repaid a total of \$350 for the period January 1987 through November 1990. The current audit again found Commissioner Lang to have been paid a total of \$200 for four months without documentation of service performed during the period December 1990 through November 1993.

RCW 52.14.010 states:

Each member shall each receive fifty dollars per day or portion thereof, not to exceed four thousand eight hundred dollars per year, for attendance at board meetings and for performance of other services in behalf of the district.

The district was aware of the requirements for payment of commissioners and chose to ignore them, resulting in an overpayment in the amount of \$200.

We recommend the district seek repayment of the \$200 and refrain from making any payment of compensation without adequate documentation for services performed.

SKAGIT COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Skagit County Drainage District No. 14

1. Skagit County Drainage District No. 14 Should Comply With The Open Public Meeting Act

Skagit County Drainage District No. 14 commissioners did not conduct all district business in accordance with the requirements of the Open Public Meetings Act. The recorded minutes indicate district business was conducted during informal conversations between commissioners held at varied locations and on dates of which the public was not notified.

RCW 42.30.070 states:

The governing body of a public agency shall provide the time for holding regular public meetings by ordinance, resolution, bylaws, or by whatever rule is required for the conduct of business by that body.

RCW 42.30.030 states:

All meetings of the governing body of a public agency shall be open and public and all persons shall be permitted to attend any meeting of the governing body of a public agency

The recorded minutes do not indicate the nature of the meeting, that is, whether it was a regularly scheduled meeting, a special meeting, or an emergency meeting. Some of the meetings recorded may have qualified as being "special meetings" or emergency, but there is no indication that notice requirements for special meetings were satisfied or if the nature of the business qualified as an emergency.

RCW 42.30.080 states:

A special meeting may be called at any time by the presiding officer of the governing body of a public agency or by a majority of the members of the governing body by delivering personally or by mail written notice to each member of the governing body; and to each local newspaper of general circulation and to each local radio or television station which has on file with the governing body a written request to be notified of such special meeting or of all special meetings. Such notice must be delivered personally or by mail at least twenty-four hours before the time of such meeting as specified in the notice.

RCW 42.30.070 states:

If at any time . . . there is a need for expedited action by a governing body to meet the emergency, the presiding officer may provide for a meeting site other than the regular meeting site and the notice requirements of this chapter shall be suspended during such emergency

Without notification as to when and where the district meetings are to be held, the public is not permitted to observe or provide input into the making of district decisions. When minutes are not prepared, it is unclear as to when and why decisions were made.

In addition the officials expose themselves to civil penalties.

RCW 42.30.120 states that:

Each member of the governing body who attends a meeting of such governing body where action is taken in violation of any provision of this chapter applicable to him, with knowledge of the fact that the meeting is in violation thereof, shall be subject to personal liability in the form of civil penalty in the amount of one hundred dollars. The civil penalty shall be assessed by a judge of the superior court and an action to enforce this penalty may be brought by any person.

The district officials were made aware of these legal requirements of the Open Public Meeting Act in prior audits but apparently have chosen not to comply.

We recommend the district officials comply with all the requirements of the Open Public Meetings Act.

SKAGIT COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Skagit County Drainage District No. 18

1. Skagit County Drainage District No. 18 Should Comply With The Open Public Meeting Act

Skagit County Drainage District No. 18 commissioners did not conduct all district business in accordance with the requirements of the Open Public Meetings Act. The recorded minutes indicate district business was conducted during informal conversations between commissioners held at varied locations and on dates of which the public was not notified.

RCW 42.30.070 states:

The governing body of a public agency shall provide the time for holding regular public meetings by ordinance, resolution, bylaws, or by whatever rule is required for the conduct of business by that body.

RCW 42.30.030 states:

All meetings of the governing body of a public agency shall be open and public and all persons shall be permitted to attend any meeting of the governing body of a public agency

The recorded minutes do not indicate the nature of the meeting, that is, whether it was a regularly scheduled meeting, a special meeting, or an emergency meeting. Some of the meetings recorded may have qualified as being "special meetings" or emergency, but there is no indication that notice requirements for special meetings were satisfied or if the nature of the business qualified as an emergency.

RCW 42.30.080 states:

A special meeting may be called at any time by the presiding officer of the governing body of a public agency or by a majority of the members of the governing body by delivering personally or by mail written notice to each member of the governing body; and to each local newspaper of general circulation and to each local radio or television station which has on file with the governing body a written request to be notified of such special meeting or of all special meetings. Such notice must be delivered personally or by mail at least twenty-four hours before the time of such meeting as specified in the notice.

RCW 42.30.070 states:

If at any time . . . there is a need for expedited action by a governing body to meet the emergency, the presiding officer may provide for a meeting site other than the regular meeting site and the notice requirements of this chapter shall be suspended during such emergency

Without notification as to when and where the district meetings are to be held, the public is not permitted to observe or provide input into the making of district decisions. When minutes are not prepared, it is unclear as to when and why decisions were made.

In addition the officials expose themselves to civil penalties.

RCW 42.30.120 states that:

Each member of the governing body who attends a meeting of such governing body where action is taken in violation of any provision of this chapter applicable to him, with knowledge of the fact that the meeting is in violation thereof, shall be subject to personal liability in the form of civil penalty in the amount of one hundred dollars. The civil penalty shall be assessed by a judge of the superior court and an action to enforce this penalty may be brought by any person.

The district officials were made aware of these legal requirements of the Open Public Meeting Act in prior audits but apparently have chosen not to comply.

We recommend the district officials comply with all the requirements of the Open Public Meetings Act.

SKAGIT COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Skagit County Drainage District No. 22

1. Skagit County Drainage District No. 22 Should Comply With The Open Public Meeting Act

Skagit County Drainage District No. 22 commissioners did not conduct all district business in accordance with the requirements of the Open Public Meetings Act. The recorded minutes indicate district business was conducted during informal conversations between commissioners held at varied locations and on dates of which the public was not notified.

RCW 42.30.070 states:

The governing body of a public agency shall provide the time for holding regular public meetings by ordinance, resolution, bylaws, or by whatever rule is required for the conduct of business by that body.

RCW 42.30.030 states:

All meetings of the governing body of a public agency shall be open and public and all persons shall be permitted to attend any meeting of the governing body of a public agency

The recorded minutes do not indicate the nature of the meeting, that is, whether it was a regularly scheduled meeting, a special meeting, or an emergency meeting. Some of the meetings recorded may have qualified as being "special meetings" or emergency, but there is no indication that notice requirements for special meetings were satisfied or if the nature of the business qualified as an emergency.

RCW 42.30.080 states:

A special meeting may be called at any time by the presiding officer of the governing body of a public agency or by a majority of the members of the governing body by delivering personally or by mail written notice to each member of the governing body; and to each local newspaper of general circulation and to each local radio or television station which has on file with the governing body a written request to be notified of such special meeting or of all special meetings. Such notice must be delivered personally or by mail at least twenty-four hours before the time of such meeting as specified in the notice.

RCW 42.30.070 states:

If at any time . . . there is a need for expedited action by a governing body to meet the emergency, the presiding officer may provide for a meeting site other than the regular meeting site and the notice requirements of this chapter shall be suspended during such emergency

Without notification as to when and where the district meetings are to be held, the public is not permitted to observe or provide input into the making of district decisions. When minutes are not prepared, it is unclear as to when and why decisions were made.

In addition the officials expose themselves to civil penalties.

RCW 42.30.120 states that:

Each member of the governing body who attends a meeting of such governing body where action is taken in violation of any provision of this chapter applicable to him, with knowledge of the fact that the meeting is in violation thereof, shall be subject to personal liability in the form of civil penalty in the amount of one hundred dollars. The civil penalty shall be assessed by a judge of the superior court and an action to enforce this penalty may be brought by any person.

The district officials were made aware of these legal requirements of the Open Public Meeting Act in prior audits but apparently have chosen not to comply.

We recommend the district officials comply with all the requirements of the Open Public Meetings Act.